



PERSI REMAINS STABLE DESPITE RECENT MARKET DROP - prudent investment policy ensures member benefits



*Retirement Board
Chairman Jody Olson*

says PERSI Retirement Board Chairman Jody Olson. PERSI will continue to monitor market fluctuations, but does not plan to alter its basic investment strategy.

The Board of Directors for the Public Employee Retirement System of Idaho (PERSI) wants to reassure members and retirees that despite recent market volatility, it remains a stable and secure fund. "Although the stock market plunge has shaken the stability of the financial system and hurt many public pension funds, including PERSI, I want to assure our members that their retirement is safe,"

Investment performance is a major factor in producing system assets, and a key factor in determining contribution rates for active employees and cost of living adjustments (COLAs) for retirees. PERSI's investment policy is consistent with the objective of reducing the risk of significant losses. Consequently, the total portfolio is prudently maintained so that assets are chosen in a way that they will respond differently to market stimuli. Because of this prudent diversification approach, the volatile market is having less impact on the PERSI fund. For example, during the week of September 15th when the market first began to plummet because of the Lehman Brothers bankruptcy and the AIG rescue, the PERSI fund lost only one half of one percent (-0.51%).

Continued on page 4

NEW EXECUTIVE DIRECTOR FOR PERSI

PERSI is pleased to announce Don Drum has been offered and has accepted the role of Executive Director at PERSI. He will be replacing long-time director Alan Winkle, who is retiring after 22 years of service to PERSI. After months of searching, the Retirement Board interviewed candidates from a short list the first week of September. Each candidate had wonderful credentials, but Don stood out because of his:

- experience dealing with the Idaho legislature
- knowledge of the pension industry
- executive level experience
- familiarity with the PERSI staff
- communications skills
- motivational leadership style

- vision for PERSI's future
- understanding of the job
- accounting/business admin. degree

Both Alan Winkle and Retirement Board Chairman Jody Olson have expressed their support for Don. "PERSI is known for its service excellence, and I fully expect Don will successfully carry on that tradition," said Jody when making the announcement. Alan added, "Don has more than demonstrated he's ready to take on the director position. I have full confidence in Don's ability to lead PERSI into the future."

Continued on page 3

Inside this issue:

Riding Out the Storm.....2
Investment News.....4

Insights

RIDING OUT THE STORM

Just about everyone has the jitters these days because of the economy — a volatile stock market, a drop in the housing market and a rise in foreclosures, a jump in unemployment, and increased prices at the grocery store and at the pump. As bad as this sounds, many experts say we are not in a financial Armageddon. Most are advising people to sit tight, and ride out the storm.

For many investors, the first instinct might be to cut and run. The flight or fight response is a natural reaction when panic sets in. But selling low could mean taking a bigger loss than if you simply sit tight. Tracking returns over the short-term can be misleading, so before making any moves with your investments carefully evaluate your situation. Remember, in addition to any losses you might incur, you may be hit with transaction costs or capital gains tax...something often overlooked by investors. Selling now, could also put you out of the market when it rebounds, so you could miss out on future market growth.

Others might consider this a time to buy stocks while they are "on sale." While some investments seem cheaper, they may also be riskier. Experts are saying to exercise caution, and perhaps wait until the economy stabilizes a bit before jumping deeper into the market. The best bet is to look long-term; see what's going to happen in the next year, not the next few weeks or months.

In the meantime, there are several things you can do to tighten up your finances:

Watch your spending. Even if you think you're on top of your finances, you can still benefit from doing an analysis of your overall income and expenses. Tally your necessary expenses (housing, car, food, utilities, insurance, loans), identify your discretionary spending, and total your income. If you're feeling confident that you can continue your lifestyle, then perhaps you don't need to change a thing. But if you're feeling the pinch, then look for ways to cut your spending. For some that might mean car pooling, for others it could mean cutting the number of times they eat out a month. If you're paying a housekeeper or lawn service, perhaps you can

take over these jobs yourself to save money. Whatever it is, you won't know where to cut if you don't know where you're spending. The essence of budgeting is to save where you can so you can pay what you must.

Start eliminating high-interest credit card debt. Paying off credit card debt is always one of the smartest moves you can make regardless of the status of the economy. Contact your creditors to see if you can get lower interest rates to get immediate relief. And then cut up your credit cards. If you don't have them, you can't use them.

Continue with your savings — both for emergency purposes and for your retirement. If you don't have a "rainy day" fund, you might consider opening an equity line of credit with your bank for emergencies. This is a line of credit based on the equity in your home. If you should need to tap into it, it's less costly than using credit cards for an emergency. If you're contributing to the Choice 401 (K) Plan, keep doing so. If you want to change your investment options, you might consider the Total Return Fund because it uses the same investment strategy as your Base Plan (pension). Let the group of investment managers overseen by PERSI's Chief Investment Officer Bob Maynard put their expertise to work for you. Overall, the Base Plan (*see page 1 and Investment News on page 4 of this newsletter*) has fared pretty well even in these turbulent times.

As a PERSI member your Base Plan account is guaranteed... so it's one thing you don't have to worry about. While the fund may experience gains and losses, your retirement benefits will always be there. Using a conservative approach to investing has served PERSI well over the years. In fact it's only been seven years since profits were so high, members' received gain sharing. And only last fiscal year, returns were up nearly 20 percent.

Remember, the market historically goes up and down — we rejoice when it's up and get fearful when it's down; but both are part of the normal economic cycle. Just remember to check your own finances, make adjustments, and prepare to ride out the storm.

Don spent the past 2½ years as PERSI's Deputy Director. After joining the agency in March 2006, he immediately began assessing the need for operational improvements. He also immersed himself in the world of public pensions, learning not only as much as possible about PERSI, but also about the wide-range of issues affecting members, employers and retirees.

Because PERSI has undergone significant changes in the past few years, Don's immediate focus will be on easing any concerns of members, employers, retirees, and PERSI staff regarding the change in leadership. To accomplish this, he plans to increase communication both in and outside the organization. He also plans to meet with key stakeholders including representatives from the Governor's office and the Legislative leadership.

While strengthening his relationship with stakeholders, he will spend time increasing his knowledge of issues pertinent to PERSI, such as divestment and the defined benefit vs. defined contribution debate that has been gaining momentum. As the new director, Don will also become more engaged in several pension organizations such as the National Association of State Retirement Administrators and the National Conference on Teachers' Retirement.

"Alan Winkle and the staff have done an outstanding job of positioning PERSI as one of the most highly respected public pension systems in the country."

- Don Drum

With a large-scale IT conversion project already in progress, Don expects to remain active in maintaining the focus of the project and seeing that costs are contained. Hiring a person to fill the Deputy Director position he is leaving will also be a priority.

It may seem Don has set a rigorous agenda for himself. And that may be true, but he sees it as

"PERSI is known for its service excellence, and I fully expect Don will successfully carry on that tradition."

- Jody Olson

doable. "Alan Winkle and the staff have done an outstanding job of positioning PERSI as one of the most highly respected public pension systems in the country...leaving us on solid ground as I take over the reins," explains Don. While staying the course is the approach he expects to take, Don wants to continue looking for operational efficiencies, and increase accountability and overall professionalism at PERSI. In his "spare" time, Don will be garnering as much knowledge as possible from Alan.

Don wants members and retirees to know he has a vested stake in protecting their retirement; after all, he's been in state government for more than 18 years and is depending on his PERSI retirement too.

"I have full confidence in Don's ability to lead PERSI into the future."

- Alan Winkle



Retirement Board Chairman Jody Olson (r) and Executive Director Alan Winkle (l) congratulate Don Drum (c), PERSI's new Executive Director.

Over the years, PERSI has learned to position its portfolio to minimize market fluctuations to the extent possible. "Our approach is simple, transparent, very diversified with no leverage, no hedge funds and no derivatives, in large part because there are periods in the market like this every 6-10 years," says PERSI's Chief Investment Officer Bob Maynard. "The reasons for a market downturn may change, but they are anticipated. In fact, current fluctuations are not as bad as one might expect," notes Maynard. "The investment strategy at PERSI has never been to just get the highest returns; instead, we focus on doing well long-range and over time." It should be noted that PERSI was up 20% at the end of Fiscal Year 2007.



*Chief Investment
Officer Bob Maynard*

"Our portfolio will continue to be well-funded and provide long-term stability for our members' retirement future. Defined Benefit Plans managed similar to PERSI reduce their exposure, so retirees can feel secure their benefits will remain intact. Bob Maynard, our investment managers, and the rest of our portfolio team are to be commended in times like these," notes Olson. "They will guide PERSI through this down market and put us in the position to quickly rebound when economic conditions improve."

Questions about PERSI investments or benefits should be directed to the PERSI Answer Center at (208) 334-3365 from the Boise area, or toll-free at 1-800-451-8228 from elsewhere in Idaho. For current fund updates, visit the PERSI Web site at www.persi.idaho.gov.

PERSI INVESTMENT NEWS

as of September 22, 2008

Value of the Fund:
\$10,341,467,066

Fiscal Year Change in Market Value:
(\$570,258,807)

Fiscal Year-to-Date Returns:
- 5.3%

Month-to-Date Returns:
- 3.9%

*Posted monthly on PERSI Web site: www.persi.idaho.gov



www.persi.idaho.gov

I D A H O

PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
607 North 8th Street, Boise, ID 83702
Base Plan: 208.334.3365 or 1.800.451.8228
Choice Plan: 1.866.437.3774
www.persi.idaho.gov

RETIREMENT BOARD

Jody B. Olson, Chairman
Jeff Cilek, Bill Deal
Clifford T. Hayes, J. Kirk Sullivan

Alan H. Winkle, Executive Director
Patrice Perow, Editor

Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code 12-05/80,000